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June 24, 1998

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JUN 24 1998

Federal Communications Commission
Office of Secretary

VIA HAND DELIVERY

Magalie Roman Salas, Esq.
Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: Notice of *Ex Parte* Presentation
In the Matter of GTE Telephone Operating Companies
GTOC Tariff No. 1
GTOC Transmittal No. 1148
CC Docket No. 98-79

Dear Ms. Salas:

On late Tuesday, June 23, 1998, Alexander V. Netchvolodoff and Alexandra M. Wilson of Cox Communications, Inc. ("Cox"), along with Laura H. Phillips, Esq. and J.G. Harrington, Esq. of Dow, Lohnes & Albertson and Mr. Richard Lee of Snavely, King Majoros O'Connor & Lee, Inc., met with Jane Jackson, Chief, Competitive Pricing Division, David Hunt, Esquire, Joi Nolen, Esquire and Mr. Joe Bender, all members of the staff of the Common Carrier Bureau. During that meeting, Cox discussed the issues covered in its Petition to Reject GTE's Asymmetric Digital Subscriber Line tariff filed on May 15, 1998, and the issues to be covered in the Commission's pending GTE tariff investigation. In addition, the attached materials were distributed at the meeting.

Pursuant to Section 1.1206(b) of the Commission's Rules, an original and one copy of this letter are being submitted to the Secretary's office and copies are being provided to the

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Magalie Roman Salas, Esq.

June 24, 1998

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persons listed below. Please inform me if any questions should arise in connection with this filing.

Respectfully submitted,

A handwritten signature in cursive script, reading "Laura Phillips".

Laura H. Phillips

Counsel for Cox Communications, Inc.

cc: Jane Jackson, Esq.
David Hunt, Esq.
Joi Nolen, Esq.
Mr. Joe Bender

Issues for GTE ADSL Tariff Investigation

- The Commission has acknowledged that GTE's ADSL tariff raises significant issues that require investigation.
- The *GTE ADSL Suspension Order* identifies some of these issues.
- Cox suggests specific areas for Commission review:
 - The nature of GTE's ADSL offering.
 - Universal service impacts.
 - Clarification of the terms of the tariff filing.
 - Additional issues from Cox's petition to reject.

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The Nature of GTE's ADSL Offering

- The threshold issue is whether GTE's ADSL offering is jurisdictionally interstate.
- If it is jurisdictionally interstate, then the Commission must consider whether GTE is correct in saying that ADSL should be treated as special access.
- The implications of the answers to these questions are significant:
 - If it is jurisdictionally intrastate, then the tariff must be rejected.
 - If it is special access, the consequences include that GTE must directly assign the loop costs associated with the service. GTE cannot leave loop costs in the switched access category, which it appears to have done.
 - If this offering is not a special access service, then the Commission must address a variety of other questions, including:
 - ❖ What kind of service is it?
 - ❖ If it is switched access, is a Part 69 waiver required?

Universal Service Issues

- The impact of the Section 254(k) prohibition on cross subsidization of competitive services by monopoly services.
 - This provision was intended to ensure that monopoly ratepayers benefit from the deployment of competitive services like ADSL.
 - This provision also means that competitive services must bear a fair share of the underlying costs of service.
 - GTE fails to address this or any other universal service issue in its filings.
- Detailed assessment of the impact of ADSL on universal service.
 - Assignment of loop costs to ADSL will reduce the need for universal service funding because it will remove costs from categories of service that supposedly are subsidized, notably residential service.
 - If ADSL is an interstate service, it will reduce intrastate revenues because it will reduce the demand for second lines, which are high margin, local services. Absent an appropriate adjustment to intrastate costs to account for this revenue shift, burdens on intrastate universal service mechanisms will be increased.

Clarification of the Terms of GTE's Tariff Filing

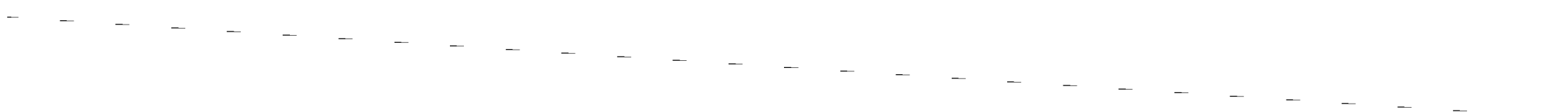
- The filing appears to have been deliberately vague on a variety of issues, including:
 - Specifically how costs are determined.
 - How the service will be provisioned, *e.g.*, whether GTE will use the same pair of wires for POTS and for ADSL or one pair for each service when only one pair is in use for voice service.
- GTE's response also is evasive.
 - It does not provide any new information on the determination of costs (such as workpapers).
 - It says that an **unspecified** amount of loop-related line conditioning cost is included in a switch cost category and does not say how that amount is determined.
 - It continues to evade the question of how service actually will be provisioned.
- Failure to obtain more specific information will have significant customer and competitive impacts, and could be particularly harmful to data CLECs.

Additional Issues from Cox's Petition

The remaining issues raised in Cox's petition also should be part of the investigation. These issues include the following:

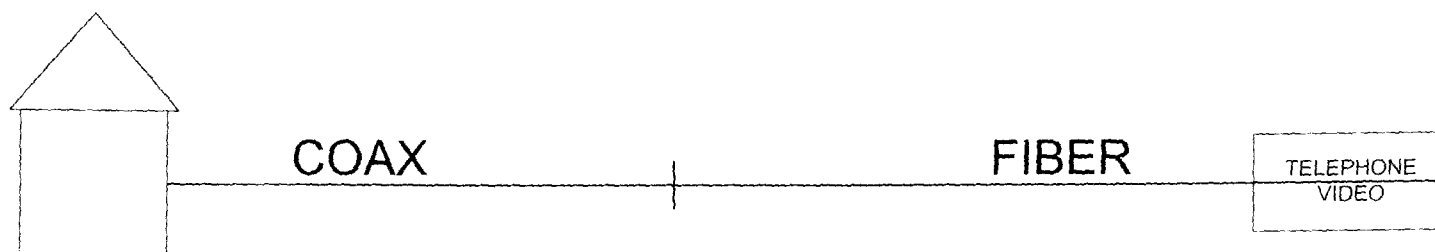
- Allocation/direct assignment of common loop costs. The importance of this issue is highlighted by the recent *Number Portability Query Service Investigation Order*.
- Accounting for incremental loop costs, such as the costs of conditioning lines for ADSL.
- The impact of substitution of ADSL for second lines on the net revenues associated with the ADSL offering.
- The omission of shared costs for land, buildings and support from GTE's cost calculations.

GTE did not provide satisfactory responses to any of these issues.

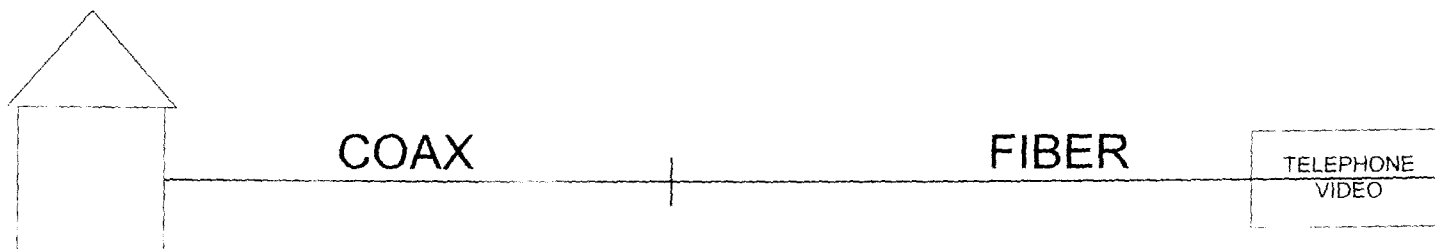


COST ALLOCATION IS NOT "NOVEL" THEORY

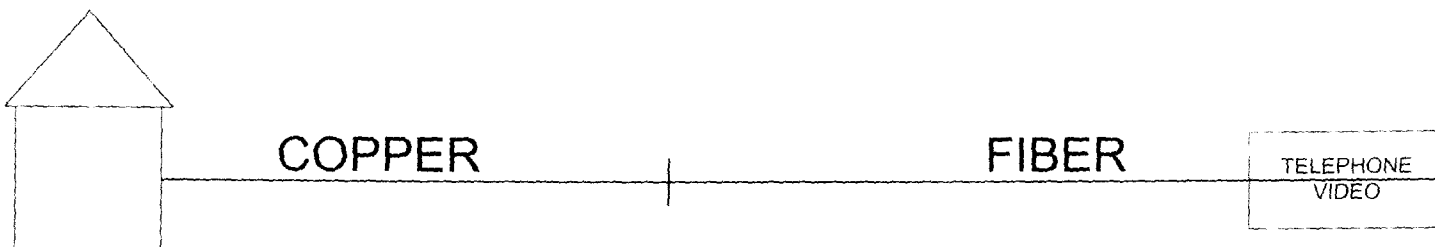
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(Regulated)



OVS
(Nonregulated)



USW
DSL



GTE
DSL

